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ABSTRACT

This paper summarizes evidence from the Scottish Young People's Survey (SYPS) on the labor market problems of young people in Scotland. The discussion focuses largely on youth unemployment. Other indicators of disadvantage, such as quality of employment and wages, are either difficult to measure or are of doubtful validity for this age group. Since neighborhood is not an important source of the labor market disadvantage of young people, and factors associated with disadvantage do not show much local variation, much of the discussion is not specific to young people in deprived urban areas. Data from the SYPS indicate that leaving school and leaving vocational training programs are critical points in the process of becoming unemployed. Youth unemployment rates vary substantially across travel-to-work areas and generally correlate closely with adult rates. Significantly, however, SYPS data suggest that factors associated with individual chances of unemployment are the same across travel-to-work areas. Survey evidence consistently shows that school qualifications, or the lack thereof, are the most powerful predictors of a young person's chances of employment. The paper concludes that the best way to help young people in deprived areas is to raise their attainments in compulsory education. (AF)

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DISADVANTAGE IN THE YOUTH LABOUR MARKET:

A REVIEW OF EVIDENCE FROM THE

SCOTTISH YOUNG PEOPLE'S SURVEY

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Presented to an internal seminar at the Industry Department for Scotland, November 1989. A summary of research evidence, based on the Scottish Young People's Survey, relevant to policies to alleviate the problems of young people in disadvantaged urban areas.

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Disadvantage in the youth labour market: a review of evidence from the Scottish Young People's Survey

Introduction

The following notes summarise evidence from the Scottish Young People's Survey (SYPS) on disadvantage in the youth labour market. The discussion focuses very largely on unemployment. Other indicators of disadvantage are either difficult to measure (eg quality of employment) or of doubtful validity for this age group (eg wages).

As discussed below, neighbourhood per se is not an important source of the labour-market disadvantage of young people; nor do the factors associated with disadvantage show much local variation. Much of my discussion is therefore general, not specific to young people in deprived urban areas.

These notes are not intended to be comprehensive, but to serve as an aide-memoire and a starter for discussion on 8 November.

Youth unemployment

In autumn 1987 the SYPS sweep of a school year group, then aged about 19 years, found that 16 per cent of the entire year group were unemployed and a further 4 per cent on schemes such as CP. These data are now being updated for another year group aged about 19 in autumn 1989. While total unemployment levels may have fallen all the evidence so far suggests that it remains at least as concentrated among disadvantaged groups and areas, so it continues to demand policy attention.

Leaving school, and leaving YTS, are critical time points in the process of becoming unemployed. Young people who become unemployed at either of these time points face a much greater risk of unemployment two or three years later. Among the cohort mentioned above, the escape from unemployment was difficult. In no six-month period between autumn 1984 and autumn 1987 did more than 22 per cent of those who were unemployed at the beginning of the period find full-time employment by the end of it.

Teenagers who withdraw from the full-time labour market, other than to enter full-time education, tend to have similar characteristics to those of the unemployed. Many are unemployed before leaving the labour market.

Is there a neighbourhood effect?

Youth unemployment rates vary substantially across travel-to-work areas, and generally correlate closely with the adult rate. We have been unable to find evidence that structural or demographic factors significantly influence youth unemployment rates independently of the adult rate. Significantly, however, the SYPS evidence suggests that the factors associated with individual chances of unemployment are the same across travel-to-work areas.

Within travel-to-work areas, and specifically within cities, we have found no evidence of significant area or neighbourhood effects. Our 'local variations' study, based on 1980 school leavers, showed that local variations in unemployment across different areas of the same city could be explained by differences in the characteristics (qualifications, family circumstances) of school leavers from each area. In other words, each city tends to function as a single labour market as far as young people are concerned. Our report identified at least five options for policies to help deprived urban areas:

1. reduce participation in the labour market (eg encourage staying-on in full-time education or training)

2. influence the distribution of individuals with disadvantaging characteristics across areas of a city (eg housing policy)

3. enhance characteristics of young people in deprived areas (eg education or training)

4. encourage employers to change selection criteria (eg oppose racial discrimination or unjustified use of qualifications as selection criteria)

5. encourage positive discrimination in favour of young workers from deprived areas

Individual characteristics associated with youth unemployment

SYPS evidence consistently shows that (the lack of) school qualifications is the most powerful predictor of a school leaver's or young person's chances of unemployment. The key threshold comes relatively low down the scale: the gap between one O grade and no O grades is typically greater than that between one and two O grades, and so on up the scale. It is possible that the extension of certification

through measures such as Standard grade may create a smaller but harder 'core' of unqualified young people, for whom the escape from unemployment is even more difficult, but we have no evidence on this yet.

Although the association of low qualifications with unemployment may partly reflect the effects of correlated personal and social characteristics, it appears to be at least partly a relation of cause and effect, due to employers' use of qualifications to screen job-applicants and as indicators of ability and personal qualities.

Vocational qualifications correlate strongly with employment but this may reflect the fact that many of these qualifications are gained after entry to (relatively stable) employment. Other SYPS evidence casts doubt on the extent to which vocational qualifications have general value in the labour market for this age group - particularly lower levels of vocational qualifications. Similarly we have yet to find evidence of a positive TVEI effect on employment. A possible explanation is that young people with such qualifications are stigmatised as of low ability; other explanations include employers' lack of familiarity with new certificates and courses, or their lack of demand for the more 'enterprising' qualities that such courses may promote.

Participation on (one-year) YTS boosted the subsequent employment chances of young people who did not find jobs on leaving school by some 14-19 percentage points. Completing the scheme was not necessary to secure this benefit. However the effect appears to have been limited to those who found jobs at the end of their schemes, particularly with scheme employers. Young people who went on YTS only to return to unemployment faced future unemployment prospects similar to those of young people who had been unemployed after school but refused YTS altogether. The surveys find no evidence of a positive YTS effect on future earnings and show that the perceived value of YTS training in the external labour market is relatively small.

It is too early to evaluate the longer-term effects of two-year YTS. The employment effect associated with YTS-1 is generally larger than that associated with earlier schemes such as YOP, but CES research on both programmes suggests that 'training' effects may be less important than 'placement' effects (eg associated with the use of schemes to screen potential recruits).

Analysis of SYPS data consistently reveal a strong correlation of certain family characteristics with young people's unemployment, net of the effect of qualifications. Parental education and/or social class appear to have an influence, but the most important family predictor of a child's unemployment is parental unemployment

particularly of the father. There are several possible explanations of this effect, but it may partly reflect the families' lack of access to informal information networks through which many jobs are found. An earlier (pre-YTS) study found that young people who had found jobs through 'informal' channels tended to have fewer qualifications than those who had entered the same occupations through more 'formal' channels. This suggests that access to informal networks may partly compensate for lack of qualifications - with the corrollary that young people who lack both advantages may be particularly vulnerable.

Whereas unemployment rates are broadly similar for young men and young women, this may vary locally, and the SYPS evidence suggests that female teenagers are quicker to move out of unemployment than males. This is partly because more females withdraw from the labour market, but also reflects a stronger flow into employment, possibly because the female labour market has more openings for 18 and 19 year olds.

SYPS data are less suitable for researching the effect on unemployment of such factors as personality, appearance or delinquency. Unemployed young people's commitment to the 'employment ethic' seems to be as strong as that of young people in jobs but increased duration of unemployment appears to discourage job search.

Staying on at school

Older school leavers, particularly boys, may be disadvantaged in the search for employment if they have not increased their qualifications significantly by staying on at school. Staying on appears to be a prudent decision only for 16 or 17 year-olds who are likely to gain the extra qualifications needed to enter the occupations which characteristically recruit older teenagers.

A clear implication of this is that any policy to encourage young people from disadvantaged neighbourhoods to remain in full-time education should ensure that local opportunities exist for 17, 18 and 19 year-olds with the qualifications that these young people are likely to gain. A further possible implication is that such policies should focus on young people with relatively good attainments from compulsory education.

By far the strongest predictor of whether or not a 16 year old stays on at school is his or her level of qualifications; by far the most important reason given for staying on at school is the need or desire to gain further qualifications. More girls than boys stay on. There is evidence of a school effect and an area effect (with areas of lower

unemployment showing higher levels of early leaving) but we have not specifically investigated a neighbourhood effect. Family factors (parental education and social class, family size, etc) are also important influences. It is difficult with non-experimental data to get reliable estimates of the effects of financial incentives. While financial considerations clearly weigh in the balance for many early leavers, often the pull is as much cultural as economic (ie the wish to become financially independent) and only a small minority cite financial considerations as their most important reason for leaving school at 16. (This minority may, of course, be disproportionately concentrated in deprived areas.)

Comments

I conclude with some personal observations. The best way to help young people in deprived areas is almost certainly to raise their attainments in compulsory education - but experience suggests that this is not easy. With respect to the 16-plus age group, this evidence suggests that a supply-side strategy - focusing on education and training - is only likely to be effective if integrated with a demand-side approach. That is, education or training interventons need, first to take account of the nature of the demand for qualifications, the age bands on which recruitment is targeted and the actual methods by which recruitment takes place; and second, to try to influence these 'demand-side' influences so that they pull in the same direction as the supply-side interventions.

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